**COALITION FOR FAIR INTERNET PRICING**

SPEECH

12.30 PM THURSDAY 12 SEPT 2013

OPENING REMARKS BY SUE CHETWIN

Good afternoon.

My name is Sue Chetwin.

I am the Chief Executive of Consumer NZ, and the Coalition for Fair Internet Pricing has asked me to be the lead spokesperson at today’s press conference.

This opening statement has been agreed by all members of our Coalition.

Let me first introduce the coalition.

To my left is Paul Brislen, the Chief Executive of the Telecommunications Users Associations of New Zealand (TUANZ).

To my right is Jordan Carter, the Chief Executive of InternetNZ.

The three of us decided we needed to take a public stand on the issue of internet pricing when we read the recent discussion document issued by Communications Minister Amy Adams.

And we are delighted that such a wide cross section of New Zealand stands with us today. Our coalition is supported by CallPlus and Slingshot, the Federation of Maori Authorities, Greypower, Hautaki Trust, KiwiBlog, KLR Holdings, National Urban Maori Authorities, New Zealand Union of Students’ Associations, Orcon, Rural Women, Te Huarahi Tika Trust and the Unite Union.

A number of other organisations are strongly supportive of the coalition’s aims, including leading telecommunications companies and business groups, but have come under political pressure not to be part of today’s campaign launch.

In a nutshell, this is a story of the government planning a new $600 million tax on Kiwi broadband customers to unfairly boost the profits of Chorus, a private monopoly, that last year made a profit of $171 million.

There will be no benefit to any Kiwi consumer from the new $600 million tax.

This $600 million tax follows lobbying by Chorus, which is building part of a new internet network that 70% of kiwis won’t use this decade – and that a quarter of us will never have access to. No rural users ever will.

In New Zealand, the independent Commerce Commission sets prices in monopoly industries. It says the price of copper connections should be slashed by 25%.

The Government says it knows better and wants Kiwis to pay $600 million more for internet connections than what the Commerce Commission says is fair.

Let me make clear, we are all strongly supportive and excited by the Ultra-Fast Broadband initiative.

However, we cannot support a proposal which would see $600 million transferred to just one company, Chorus, which last year reported an after-tax profit of $171 million, an increased dividend of 25.5c per share and whose share-price rose 4.5% the day Ms Adams issued her discussion document.

The proposal will tax every consumer of internet services in New Zealand – every household, every small business, every big business, every farmer, every student.

It is a tax on every Kiwi to subsidise Chorus, a profitable monopoly.

Telecommunications regulation can be very complicated, but – as a coalition – we are making just two key points.

The first is about is about the level of the prices.

Ms Adams’ proposal is that the price of existing copper internet connections will be much higher than what the Commerce Commission says is the fair price.

The proposal says the price of existing copper connections should be artificially inflated to be the same as for the new fibre connections.

That would be the same, even if your home or your business or your school has no access to the new fibre network.

This is unfair. It is wrong.

It would be like the Government deciding that dial-up internet should cost the same as broadband, even if there was no broadband available in your community.

The second point is about who sets prices for monopolies like Chorus.

Ms Adams’ proposal is that instead of an independent body, the Commerce Commission, setting the price for copper broadband in New Zealand, politicians in Cabinet would.

If monopoly prices need to be set, we say it must be by an independent body, the Commerce Commission, not politicians who may have other interests.

We haven't seen anything like this since the 1970s and we think it is dangerous.

Within our coalition, there are organisations who have excellent relations with the government.

And there are organisations whose relations are – how shall I say this? – are not so strong.

But we are united on these two simple points.

1. No to the $600 million copper tax
2. Yes to the Commerce Commission setting prices for monopolies, not the Cabinet.

And we are asking Ms Adams, politely, to please indicate you will reconsider your proposal.

In support of the statements we are making today, we are releasing a study by economists Covec.

It was Covec that calculated the $600 million transfer to Chorus, and they say it is a conservative estimate.

Covec also makes clear that the government’s proposal would deter uptake of broadband and weaken competition within the telecommunications industry.

I urge you to read the full Covec report. The analysis makes clear that the Government should abandon its proposal.

That’s the end of our statement.

Paul, Jordan and I will be able to answer your technical questions on the government’s proposal and all of us are happy to take your questions.